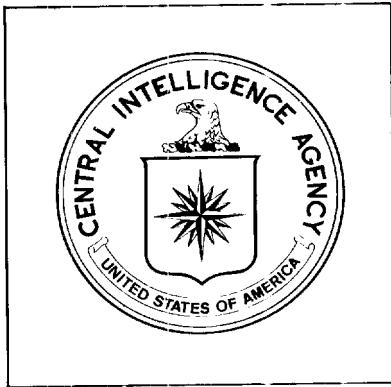


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## STAFF NOTES:

# Latin American Trends

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## LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Panama: Other Problems with the US

Several bilateral US - Panamanian problems not directly related to the canal talks could sour the atmosphere surrounding the negotiations and complicate the negotiators' tasks. One problem is an injunction issued by a US court against further construction on the Inter-American Highway through the Darien Gap between Panama and Colombia. The injunction, issued on October 17 by a District of Columbia court, resulted from a suit brought by the Sierra Club and other environmental groups which fear that opening a road through the now impenetrable Colombian-Panamanian border area would lead to environmental damage and the spread of aftosa, hoof-and-mouth disease. The injunction comes just as the dry season is approaching in Panama, when construction was expected to move into high gear and help alleviate economic problems. The Panamanians have been astounded to find that a domestic court could halt implementation of an international agreement signed in 1971 and reportedly are considering filing a protest.

The Panamanians, like several other Latin American countries, are also chafing under their 1975 voluntary agreement to limit meat exports to the US to 2.5 million pounds. Panamanian officials want a 40-percent increase this year through reallocation of shortfalls from other countries and a doubling of the limit for 1976. To circumvent present limitations, Panama has arranged to import five million pounds of Australian beef in the belief that this will not fall under the restraint program and can be reexported to the US. Panamanian expectations, however, may be unduly optimistic.

The Panama Canal Company has meanwhile decided to raise the rates charged Panama City for water from the Canal Zone distribution system. The US ambassador

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expects the Torrijos government to turn the increase into a political issue unless some offsetting benefits are offered.

Finally, US action on a half-million-dollar FMS credit now under consideration could be interpreted in Panama as indicative of how the US views Panama's future role in canal defense.

The Panamanians are not likely to pass up the opportunity to tie bilateral issues to the canal talks if they believe this could force a more forthcoming US position. Machiavellism aside, the Panamanians do not appreciate the lack of complete US executive control over the many issues affecting bilateral relations, and they might read a series of decisions disappointing to Panama as a US response to Panamanian treaty aspirations. Having recognized that any real breakthrough in the canal negotiations will have to wait until after the 1976 elections in the US, the Torrijos government is looking for US moves in the interim which will demonstrate the success of its "wait it out" tactics. In this situation, negative actions would be doubly disappointing. (CONFIDENTIAL/NOFORN)

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Argentina's Deteriorating Relations With China

The departure of New China News Agency representatives from Argentina on October 29 marks a significant decline in the already strained diplomatic relations between President Peron's government and the Peoples Republic of China.

The action occurred when the Argentine foreign ministry failed to respond to complaints that the Chinese and representatives of other Communist countries were being harassed by special regulations requiring them to renew their visas every three months and to request 48-hour advance approval for travel outside the capital. According to one report the government not only intends to continue these requirements, but now plans to prohibit Communist Chinese publications from entering the country.

The relationship has been anomalous from the beginning. Although Argentina closed its embassy in Taipei soon after relations were established with China in February 1972, it has allowed the Republic of China to retain a commercial mission in Buenos Aires. Then-President Lanusse reportedly did not want to offend high-ranking army officers who were sympathetic to the Republic of China.

Meanwhile, efforts to develop closer economic ties with the Peoples Republic have not been very successful. Although the Chinese agreed last year to purchase Argentine corn and wheat, they have been dissatisfied both with the quality of the grain and with Argentina's inability to supply as much as it had promised.

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Other problems will probably cause relations to deteriorate further--Army Commander General Videla, who is heading the campaign against internal subversion, recently said publicly that local terrorism is receiving external support from Communist sympathizers, including Peking. The government that succeeds President Peron's administration promises to be at least as conservative in outlook and may well be more susceptible to manipulation by anti-Peking military leaders. (SECRET/NOFORN)

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Peru: Political Activity on the Upswing

For the first time since the armed forces took over the government in 1968, an organized political challenge to government policies may be developing as leftist peasant and labor groups rally behind two radical generals ousted by President Morales Bermudez earlier this month. Although one of the cashiered generals apparently has little civilian political support, the other, General Rodriguez, has maintained relatively strong ties to a number of leftist groups and he may very well become involved politically with them. Rodriguez is an ambitious general, and his early retirement, while forcing him to alter his plans, almost certainly has not diminished his desire to become president.

Under former president Velasco, who headed the military government from 1968 until his ouster by Morales Bermudez last August, the armed forces were unable to develop any significant base of civilian support for their socialistic policies. At the same time, government censorship and intimidation of civilian critics prevented the growth of any coherent opposition movement. Since assuming power, Morales Bermudez has loosened press restraints significantly, eased restrictions on political parties, and repeatedly alluded to still-vague plans for popular "participation" in the revolutionary process. All this has tended to raise the level of political activity and to increase speculation that significant civilian involvement in the governing process is in the offing.

Leftist groups, which supported many of Velasco's policies, are still circumspect in criticizing President Morales Bermudez, but they are becoming bolder in questioning whether his government backs some of the more radical reform programs. These groups apparently

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view the fate of the radical generals as confirmation that Morales Bermudez intends to pursue a more moderate political course than his predecessor. General Rodriguez, as a high-ranking former official associated with radical causes, is an attractive and logical leader for this sector.

The traditional political parties are also beginning to stir in response to the government's hints at popular participation and to defend themselves against charges by leftists that they are subverting the revolutionary process. Both the widely popular American Popular Revolutionary Alliance and the Popular Alliance party of former civilian President Belaunde will become more active in the coming weeks, to support at least some of Morales Bermudez' policies, and to strengthen their own constituencies. Belaunde himself may return to Peru early in December to take over the reins of the organization that elected him Peru's last civilian leader over twelve years ago. (CONFIDENTIAL)

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Venezuela and Ecuador Weigh Regional Oil Alignment

Venezuela and Ecuador have discussed the possible formation of an organization of Latin American petroleum exporters to coordinate policies within the region. Prospects appear bleak, however, because Mexico--whose participation would be essential--is unlikely to enter into any arrangement that would limit its freedom of action.

Caracas, increasingly cool toward the Latin American Energy Organization (OLADE), may be casting about for another regional organization more responsive to its leadership aspirations. Dissension evident in the establishment of OLADE had highlighted the difficulties in forming a consensus in a group of countries comprising both oil exporters and importers, despite general lip service to the ideal of regional solidarity.

President Perez of Venezuela reportedly suggested the idea of a new organization to President Rodriguez of Ecuador as a means of gaining control of markets in Latin America. Rodriguez is interested in anything that he thinks would strengthen the position of his government vis-a-vis the oil companies in Ecuador. Venezuelan interest stems at least partly from concern over the emergence of Mexico as a serious potential competitor. Mexico, with crude production already up to 750,000 barrels per day, could export 1.3 million barrels per day by 1980. It is thus in Caracas' interest to form a close alignment as quickly as possible.

The present Mexican government has chosen not to join OPEC, preferring to retain its independence in setting oil policy. The same reasoning would militate against participation in a regional organization. The next president may seek closer cooperation with Venezuela

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in some aspects of oil policy but is unlikely to forgo any options with regard to marketing of Mexican oil.

Even if Venezuela and Ecuador should succeed in forming an organization with Mexico, the new group would not substantially further Venezuela's interests. In a wider context, such a group would not appreciably increase Latin American influence in OPEC, as their total crude production amounts to only about eleven percent of the OPEC total. As Mexican production increased, it would little more than offset Venezuela's declining position. (SECRET/NOFORN)

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Haiti Experiments with Reform

The outcome of the postage stamp fraud trial which has been a major focus of public attention in Haiti for the past eight months, is both a sign of cautious movement toward reform and a reminder that Haiti remains a personalist dictatorship with the palace determining when and for what purposes the legal process will be used.

Last spring the Haitian government uncovered a scheme to sell several million dollars worth of unauthorized Haitian stamps. The most important figure charged was Secretary of Commerce and Industry Serge Fourcand, leader of a new breed of young technocrats. President Jean Claude Duvalier felt personally betrayed by Fourcand since the minister had been his trusted adviser and confidant.

As the trial began the old-guard Duvalierists seemed ready to take advantage of the situation to discredit the technocrats who had begun to challenge them. The trial took on another coloration, however, when the culprits instead turned out to be officials of the preceding regime of Francois Duvalier.

In some respects the outcome of the trial substantiates the view that President Duvalier is cautiously adopting a more reformist approach. Confronted with convincing evidence of Fourcand's innocence of anything but administrative negligence, the prosecution did not press its case and accepted his acquittal without protest. The televised trial resulted in a public airing of the climate of official corruption and lack of public ethics that prevailed during the presidency of Papa Doc. The young president's willingness to permit these revelations despite the smudging of his father's reputation

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and the embarrassment caused to still-active old-line Duvalierists demonstrated his apparent confidence in the strength of his own government and underlined his desire to improve the standards of public administration.

The government also proved willing to allow a degree of freedom of the press in the coverage of the trial. The iconoclastic editor of a leftist weekly repeatedly criticized the moral climate under Papa Doc, the past administration of Haitian justice, and the absence of civic responsibility. He was cautioned by the interior minister several times and was perilously close to having his journal shut down, but the fact remains that a certain independence of expression was tolerated.

Duvalier's purported actions regarding the trial reflect his own uncertainties and the clear limits to the amount of liberalization he will allow. [REDACTED]

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[REDACTED] the minister of justice reportedly claimed that at one point he was instructed by the president to have the presiding judge deliver a guilty verdict against Fourcand. Duvalier later countermanded this order when he learned of his mother's apparent involvement in the scandal and some testimony threatened to make it public. Duvalier reportedly ordered the commander of the presidential guard to end the trial rapidly. This was done, and the verdict rendered several weeks later. The President then rewarded the judge and prosecutor by giving them new automobiles.

After long years of unrelieved tyranny under Papa Doc, the stamp fraud trial--even with its obvious limitations--is a positive step and a sign that the regime is willing to experiment with reform. How the government deals with other recently incarcerated individuals --including businessmen arrested in a customs scandal, aircraft hijackers, and plotters against a prominent member of the Duvalier entourage--will give more conclusive indications of the regime's commitment to open court trials and even-handed justice. (SECRET/NOFORN)

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Nicaragua: State of Siege Rolls On

President Somoza appears to have found a convenient political tool in the state of siege he invoked following the terrorist attack last December by the Sandinist National Liberation Front (FSLN). The censorship permitted under the statute has been especially useful, and it could become a permanent part of the political scene. Somewhat paradoxically, the resulting popular frustration heightens the appeal of the guerrilla FSLN in contrast to the apparently impotent political opposition.

The state of siege has two principal benefits for Somoza. First, it enables him to muzzle principal opposition leader Pedro Joaquin Chamorro, owner of the major daily La Prensa. By shutting off this opposition outlet, he prevents dissemination of any criticism by the congress--infrequent though it has been given the timid character of the legislative bloc. The state of siege also allows Somoza to submit suspected terrorists and supporters to military rather than civilian courts. According to an announcement on October 25, some 80 suspected FSLN adherents are to appear before the military courts. With Somoza and other high Nicaraguan officials admitting that snuffing out the recurrent FSLN threat this time may require years, the prospects of a long-term state of siege and continuing censorship is real.

The FSLN's fortunes have been cyclical, and the guerrilla group is presently more active than at any time since 1967-68, when it was probably at its apogee. The guerrillas probably have about 80 activists in the country, and a support network twice that large. They have also latent support in rural areas, owing in

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part to the legend of the Sandino guerrillas of the 1930s, and a flow of recruits from university students convinced that there can be no effective legitimate opposition to Somoza. The FSLN can and does engage the National Guard in sporadic firefights and could attempt an occasional spectacular--such as the kidnapping last December of prominent Nicaraguans and the subsequent flight to Cuba as part of the ransom settlement. The FSLN's compartmentalization--making wide scale coordination difficult--and lack of a political front, however, make it more an irritant than a real threat at present. Some of the current increase in FSLN activity is a response to more aggressive National Guard pursuit.

Censorship and the political muzzling have left the rumor mill free to exaggerate FSLN successes and the US embassy detects a greater restiveness in several sectors than has heretofore been the case. Except for the heightened appeal of the FSLN, however, this has not yet been channeled into effective opposition. After four decades of rule, moreover, the Somozas have proven to be astute observers and manipulators of Nicaraguan political life. Should the restiveness build to serious proportions, Somoza will probably make some sort of concessions--not necessarily meaningful--as a safety valve.

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